

Wednesday, March 6, 2013

Our Voice: California's bizarre gasoline tax system

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The legacy of Gov. Arnold Schwarzenegger continues to haunt Californians — this year, at the gas pump.

Thanks to a system devised in 2010, the last year of Schwarzenegger's struggles with the California budget, the state Board of Equalization had to raise gas taxes by 3.5 cents a gallon. The increase that takes effect on July 1 will give Californians the highest gas taxes in the nation, surpassing New York at about 70 cents a gallon, counting federal taxes.

The gas tax swap reduced sales taxes on gasoline from 8.25 percent to 2.25 percent, but roughly doubled the excise tax. It was a way to divert revenue to help balance the budget. The law included a provision that the excise tax must be adjusted annually to produce the same amount of revenue that would have been generated with the higher sales taxes.

The Feb. 28 vote raised the excise tax from 36 cents a gallon to 39.5 cents. That adds about 52 cents to a 15-gallon fill-up.

The two Republicans on the board — George Runner and Michelle Steel, who represents this area — voted against the increase. Runner contends the gas consumption forecasts by the Department of Finance and Global Insight, a private firm, are too high considering the prediction by some economists who say the price of gas could climb to \$6 or \$7 a gallon. Steel called the estimate "just a guessing game."

The good news is that if the forecast is too high, the rate can be lowered next year. However, about a penny of the new increase was to make up for the 2011-12 rate that was too low to maintain anticipated revenue. In the past two years, the state collected \$157 million less than it needed for road maintenance, largely because Californians are consuming less gas.

Gas consumption in the state reached a peak of 15.9 billion gallons in 2005, but fell to 14.6 billion gallons in 2011 — an 8.4 percent decrease, according to the

Federal Highway Administration. California's gas consumption fell twice as fast as the national average during that period.

Part of the reason for lower consumption may be that with 2 million Californians unemployed, fewer of us need to drive to work. Californians also appear to be embracing more fuel efficient cars. Average mileage has increased from 17 miles per gallon in 2005 to 17.5 percent in 2010, which contributes a 3 percent reduction in gas consumption.

With demand in decline, that should result in lower prices. Hardly. California gas prices increased 59 cents last month, the largest monthly increase ever. The average price per gallon here stands at \$4.23, according to the AAA Fuel Gauge Report. The national average is about \$3.78 a gallon.

California gas prices tend to be higher because it has fewer refineries per capita than other states. The number of refineries has dropped from 27 in 1980 to 14. Competition in the industry will decline if the sale of Arco by BP to Tesoro goes through. Tesoro, which sells gas at Shell and USA Gasoline stations, owns six refineries — mostly in the west — and would take over one in Carson. All this is happening despite a record amount of gasoline exports by U.S. refineries to Central and South America, Singapore and Australia.

The concept of setting the rate to reach an arbitrary goal is reminiscent of the 1970s, when California cities would pass a budget and then set the property tax rate to match the revenue expectations. That led to the Proposition 13 revolution.

The state should find a way to reward drivers for driving less and for driving more efficient cars, not punish them with higher taxes. That's good for the environment and should be encouraged. And it makes no sense to divert gas taxes to the general fund. Gas taxes should pay for road maintenance. Period.

Our legislators should seek ways to increase refinery capacity with a goal of lowering gas prices closer to the national average. California motorists and the economy have suffered enough.